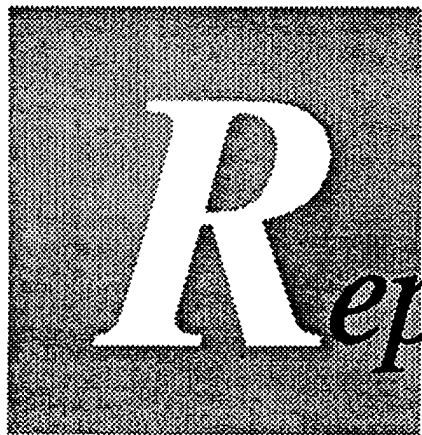


valuation



report

PROPERTY MANAGEMENT CONTROLS AT DEFENSE
REUTILIZATION AND MARKETING OFFICE,
VANDENBERG, CALIFORNIA

Report Number 98-190

August 19, 1998

Office of the Inspector General
Department of Defense

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Acronyms

| | |
|-------|--|
| DAISY | Defense Reutilization and Marketing Automated Information System |
| DLA | Defense Logistics Agency |
| DRMO | Defense Reutilization and Marketing Office |
| DRMS | Defense Reutilization and Marketing Service |
| FLIPL | Financial Liability Investigation of Property Loss |



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202

August 19, 1998

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY

**SUBJECT: Evaluation Report on Property Management Controls at Defense
Reutilization and Marketing Office, Vandenberg, California
(Report No. 98-190)**

We are providing this report for review and comment. We conducted the evaluation in response to a request from Senator John McCain of Arizona. We considered management comments on a draft of this report in preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. Comments from the Defense Logistics Agency were responsive.

We appreciate the courtesies extended to the evaluation staff. Questions on the evaluation should be directed to Ms. Debra B.D. Murphy at (703) 604-8788 (DSN 664-8788), e-mail dmurphy@dodig.osd.mil or Mr. Timothy E. Moore at (703) 604-8778 (DSN 664-8778), e-mail tmoore@dodig.osd.mil. See Appendix D for the report distribution. The evaluation team members are listed inside the back cover.

A handwritten signature in black ink, reading "David K. Steensma", is positioned above the typed name.

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 98-190
(Project No. 7LH-3012.01)

August 19, 1998

Property Management Controls at Defense Reutilization and Marketing Office, Vandenberg, California

Executive Summary

Introduction. We conducted this evaluation in response to a request from Senator John McCain of Arizona. This is the first of two reports that we will issue on DoD property management and disposal controls. The second report, Evaluation of Property Disposal Management Controls, will cover the remaining issues. In FY 1997, the Defense Reutilization and Marketing Office, Vandenberg, California (DRMO Vandenberg), disposed of approximately 11,890 line items with an acquisition value of \$31.5 million.

Evaluation Objectives. The overall evaluation objective was to determine whether adequate management controls exist over the transfer, donation, and disposal of excess and surplus DoD personal property. The specific objective of this report was to assess property management and disposal controls at DRMO Vandenberg. We will discuss the adequacy of the overall Defense Reutilization and Marketing Service management control program in a subsequent report.

Evaluation Results. Property management and disposal controls at DRMO Vandenberg needed improvement. Specifically, in August 1996, DRMO Vandenberg personnel identified 88 missing line items of excess property requiring demilitarization. However, adequate investigations were not performed or planned regarding the cause of the property loss for more than a year. Further, DRMO Vandenberg removed an additional 327 line items of property from its inventory without adequate investigation and without appropriate approval. As a result, there was increased risk that undemilitarized personal property could be sold to the public or stolen. See Part I for details of the evaluation results.

Summary of Recommendations. We recommend that the Commander, Defense Reutilization and Marketing Service, complete the investigation into the loss of the 88 line items of property requiring demilitarization and the 327 line items removed from the DRMO Vandenberg accountable records, in accordance with prevailing regulations.

Management Comments. The Defense Logistics Agency concurred and stated that the Defense Reutilization and Marketing Service was investigating missing property and other property requiring demilitarization that was removed from accountable records. The investigation was to be completed by July 24, 1998, and findings forwarded to the Defense Logistics Agency. Also, the Defense Reutilization and Marketing Service made a complete assessment of operations, conducted random inventories with a 100-percent accuracy rate, and assigned an experienced DRMO chief. Part I discusses management comments and Part III contains the complete text of management comments.

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Part I - Evaluation Results

Evaluation Background

This evaluation was performed in response to a request received from Senator John McCain of Arizona. An individual in the Arizona corrections system was alleged to have illegally diverted tens of millions of dollars in surplus or excess military equipment for personal gain over the past several years. Senator McCain requested that the Inspector General, DoD, investigate whether adequate controls exist for the management and disposal of DoD personal property.

Organizational Responsibilities. The Defense Logistics Agency (DLA) through the Defense Reutilization and Marketing Service (DRMS) is responsible for developing systems for accounting, controlling, and disposing of excess and surplus DoD property. Appendix B contains responsibilities for organizations, such as the General Services Administration, the DLA, and DRMS, that play pivotal roles in the disposition of DoD excess and surplus property.

DoD Guidance. DoD policies and procedures for the disposition of DoD personal property are set forth in DoD Manual 4160.21-M, "Defense Materiel Disposition Manual" (the Disposition Manual), August 1997. The Disposition Manual is a revision of DoD Manual 4160.21-M, "Defense Reutilization and Marketing Manual," March 1990. The Disposition Manual is applicable to all elements of DoD and its subordinate commands, installations, and organizations.

Property Disposal Guidance. Procedures for property accounting for the DRMS and its Defense Reutilization and Marketing Offices (DRMOs) are contained in DRMS Instruction 4160.14, "Instructions for Property Accounting for DRMS and the DRMO Stores" (the DRMS Instruction Manual), June 1996.

The DRMS Instruction Manual is clear on documentation and authority levels required for investigations into property loss, as well as the time frames within which required investigations must be conducted. Documentation, authority level, and time frames for investigations vary by type of adjustment; evidence of fraud, theft, negligence, deliberate unauthorized use, or willful misconduct; acquisition value of property; and property type. Appendix C contains definitions of terms used throughout this report in reference to the management and disposal of excess and surplus DoD personal property.

Evaluation Objectives

The overall objective of this evaluation was to determine whether adequate management controls exist over the transfer, donation, and disposal of excess and surplus DoD personal property. This is the first of two reports. The specific objective of this report was to assess property management and disposal controls at DRMO Vandenberg, California. We will report the results of our overall objective, including the adequacy of the overall management control program, in the second report. See Appendix A for a discussion of the scope and methodology.

Property Management and Disposal Controls

Property management and disposal controls at DRMO Vandenberg needed improvement. Specifically, in August 1996, personnel at DRMO Vandenberg identified 88 missing line items of excess personal property requiring demilitarization, but failed to conduct adequate and timely investigations into the proximate causes of the property loss. During the same period, personnel at DRMO Vandenberg removed 327 line items of personal property from its accountable records at lower than required authority levels, and without adequate investigation. The untimely and inadequate property investigations and adjustments occurred because controls were not enforced to ensure compliance with DRMS regulations. As a result, there was increased risk that potentially dangerous, undemilitarized personal property could be sold to the public or stolen.

Property Requiring Demilitarization

Chapter 1, paragraph C.4 of DoD Manual 4160.21-M-1, "Defense Demilitarization Manual," October 1991, states that property requiring demilitarization poses a potentially deadly hazard as it has, by definition, a military and possibly lethal purpose. The Disposition Manual, paragraph 38, states that demilitarization includes mutilation, dumping at sea, scrapping, melting, burning, or alteration designed to prevent the further use of equipment and material for its originally intended military or lethal purpose.

History of Property Requiring Demilitarization. From March through May 1996, DRMO Vandenberg received a larger than usual quantity of property requiring demilitarization because of the closure of an Atlas missile site. As a result, by the end of May 1996, an abnormally high volume of line items of property requiring demilitarization (1,300) were listed on the DRMO Vandenberg RESI I list, a management report that is used to track and monitor property requiring demilitarization. The RESI I list contains information on property DRMO receives that requires demilitarization and that has been on hand for at least 35 days without completion of required demilitarization and disposal actions.

In June 1996, the zone manager at DRMS Northern California dispatched a team of employees from the DRMOs in McClellan, Port Hueneme, and Stockton, California, to DRMO Vandenberg to assist in the demilitarization of the property identified on the DRMO Vandenberg RESI I list. The team was released without completing the documentation of its effort.

In August 1996, the zone manager dispatched another team of DRMO employees from Alameda, California, and Stockton to DRMO Vandenberg to conduct a record-to-floor inventory of on-hand property. The record-to-floor inventory revealed that 88 line items of property requiring demilitarization were missing.

Investigations of Missing Property Requiring Demilitarization. DRMO Vandenberg managers did not initiate adequate and timely actions to identify the disposition of 88 missing line items of excess personal property that required demilitarization. Because 50 of the 88 line items were turned in to DRMO Vandenberg with local stock numbers, the value of the 88 line items was not readily determinable and accuracy of the posted demilitarization codes that identify and determine the potential danger an item posed to the public could not be verified. Despite identification of the lost property in 1996, DRMO Vandenberg did not take action to investigate until January 1998, almost 1 1/2 years later. The DRMS Instruction Manual requires that a separate financial liability investigation of property loss (FLIPL) be prepared for each line item of property requiring demilitarization that is reported as lost or missing.

In January 1998, the current DRMO Vandenberg chief informed us that the zone manager at DRMS Northern California was in possession of all paperwork concerning the 88 line items. However, the zone manager stated that while he had the FLIPL packages, they were incomplete and not sufficient for him to submit to the DRMS regional commander for signature. The zone manager did not provide the incomplete FLIPL packages to us for review; however, he did provide us with a signed statement from the DRMO Vandenberg chief who was in charge in 1996.

Explanation for Missing Property. In the written statement explaining the circumstances under which the 88 line items of property requiring demilitarization were lost, the former DRMO Vandenberg chief speculated that demilitarization actions were completed on the missing property in June 1996. However, there was no evidence of any investigation or other inquiry to support the former chief's speculation. Further, although the 88 line items could not be located, they appeared on the DRMO Vandenberg item management resolution list, a list showing property that has been in the DRMO Vandenberg possession

Property Management and Disposal Controls

for more than 1 year. There was no documentation that demilitarization was completed or that final disposition was taken on the 88 line items. As a result of not investigating the missing property, DRMO Vandenberg may have unknowingly reutilized or transferred undemilitarized property to other Federal, state, or local entities or sold it to the public.

Actions Required for Investigations of Missing Property. For the 88 missing line items requiring demilitarization, DRMO Vandenberg needed to identify where the property loss occurred, when the property loss occurred, and how the property loss occurred and to show any evidence of negligence, willful misconduct, or deliberate unauthorized use. The DRMO Vandenberg investigation should have included signed and dated statements from every individual who handled the property, from the date the property was received to the date the loss was discovered. DRMO Vandenberg should have also recorded statements regarding the missing property from receivers, warehousepersons, sales writers, and persons who purportedly demilitarized or downgraded the property. Upon conclusion of the investigation, DRMO Vandenberg must determine the proximate cause and review controls to prevent recurrence.

Loss of Personal Property

DRMO Vandenberg removed 327 line items of personal property from its accountable records without adequate investigation and without appropriate authority levels. Although potentially usable, the value and condition codes of the property could not be determined because the turn-in documents for the property were not available. Specifically, a record-to-floor inventory in August 1996 disclosed that 327 line items of personal property that included highly pilferable and potentially dangerous items, such as 1-ton and electric forklifts; cargo and wrecker trucks; and a guided missile launch tube classified as ammunition, explosive, or other dangerous articles, could not be accounted for. On October 1, 1996, DRMO Vandenberg had an on-hand inventory of 2,591 line items; therefore, the 327 line items represented approximately 13 percent of the DRMO Vandenberg inventory.

Items Removed From Records. DRMO Vandenberg removed 327 line items from its accountable records, using DRMS Form 39-3, the Defense Reutilization and Marketing Service automated information system (DAISY) inventory adjustment request/voucher (DRMS Form 39), without documented evidence of investigation. The DRMS Instruction Manual requires that for

quantity loss adjustments in which no evidence of fraud, theft, negligence, deliberate unauthorized use, or willful misconduct is present and the acquisition value is less than \$25,000, a DRMS Form 39 may be used and signed by the regional commander or his designee. However, if evidence of fraud, theft, deliberate unauthorized use, willful misconduct, or negligence is present, a FLIPL with investigation must be completed. We were informed that in November 1996, the zone manager approved the DRMS Forms 39. However, DRMO Vandenberg records documented the disposition of only 38 of the original 327 inventory adjustments, and DRMO Vandenberg was unable to produce documentation for the other 289 inventory adjustments. Furthermore, although the inventory team records showed that the 327 line items of property removed from accountable records did not require demilitarization, 3 of the line items did require demilitarization.

Determination of Fraud, Theft, Deliberate Unauthorized Use, Willful Misconduct, or Negligence. For the 327 line items removed from the DRMO Vandenberg accountable records, no documentation existed to indicate that an investigation was conducted to determine whether fraud, theft, deliberate unauthorized use, willful misconduct, or negligence was involved in the property loss. DRMS Manual 4160.14, "Property Disposal Procedures for the Defense Reutilization and Marketing Offices," March 1992, provides steps that, at a minimum, must be completed when property is lost at a DRMO. Had DRMO Vandenberg complied with those requirements and completed and documented the steps, a credible decision could have been made regarding the property loss. We were informed that the zone manager approved the DRMS Forms 39. However, the letter authorizing the zone manager to sign DRMS Forms 39 as the regional commander's designee specifically stated that he was not authorized to sign a FLIPL as the regional commander's designee. Because three line items required demilitarization, a FLIPL with investigation was required.

Actions Required for Investigations of Missing Property. For property that is pilferable or potentially dangerous, DRMO Vandenberg needs to identify where the property loss occurred, when the property loss occurred, and how the property loss occurred and to show any evidence of negligence, willful misconduct, or deliberate unauthorized use. The DRMO Vandenberg investigation should include signed and dated statements from every individual who handled the property, from the date the property was received to the date the loss was discovered. DRMO Vandenberg should also record statements regarding the missing property from receivers, warehousepersons, sales writers,

Property Management and Disposal Controls

and persons who demilitarized or downgraded the property. Upon the conclusion of the investigations, DRMO Vandenberg must determine the proximate cause and review controls to prevent recurrence.

Management Actions Taken

As a result of our January 1998 review at DRMO Vandenberg, the zone manager at DRMS Northern California initiated investigations of the 88 line items requiring demilitarization and the 327 line items removed from the DRMO Vandenberg accountable records.

To improve inventory controls throughout DRMS, in June 1997, DRMS developed and began presenting 4-hour FLIPL workshops to DRMO chiefs. DRMS plans to expand the training to include western zones and operations east and west staff.

Recommendations, Management Comments, and Evaluation Response

Deleted Recommendation. As a result of management comments and corrective actions, we deleted draft Recommendation 4.

We recommend that the Commander, Defense Reutilization and Marketing Service:

- 1. Complete investigations into the loss of the 88 line items of property requiring demilitarization that were listed on the Defense Reutilization and Marketing Office, Vandenberg, January 1998 item management resolution list, in accordance with Defense Reutilization and Marketing Service Instruction 4160.14.**
- 2. Complete investigations of the 327 line items removed from the Defense Reutilization and Marketing Office, Vandenberg, accountable records in November 1996, in accordance with prevailing Defense Reutilization and Marketing Service regulations. A less intense investigation is required for property that does not require demilitarization, is nonsensitive, is not highly pilferable, and has a low dollar value.**
- 3. Based on the results of the investigations, institute measures, where appropriate, to preclude recurrence of the loss of property at this magnitude.**

Management Comments. The DLA concurred and stated that DRMS was investigating the loss of 88 line items requiring demilitarization and 327 line items removed from the accountable records. DRMS determined that the losses were caused by multiple factors, including an inexperienced DRMO chief and zone manager, and inadequate resources to handle the increased work load. DRMS found no policy or procedural deficiencies. DRMS stated that the 327 line items were dropped from record without deliberate fraud, theft, or willful misconduct. Of the 327 items, 5 required demilitarization. The investigation of the 5 items and the 88 line items requiring demilitarization was to be completed by July 24, 1998.

DRMS conducted an April 1998 assessment of the entire DRMO Vandenberg operation. It conducted random inventories with a 100-percent accuracy rate. In addition, DRMS assigned an experienced DRMO chief. Further, DRMS personnel will review inventory control procedures during future validation visits to DRMOs. DRMS was scheduled to complete and forward all findings to DLA by July 24, 1998.

Evaluation Response. DLA comments were responsive.

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Part II - Additional Information

Appendix A. Evaluation Process

Scope and Methodology

We evaluated property management and disposal controls at DRMO Vandenberg. DRMO Vandenberg is one of eight DRMOs judgmentally selected for our evaluation of the DRMS property disposal management controls. Our focus was DRMO accountability of property through the disposal cycle. We traced property and associated turn-in documents from the generating origin, through DRMO functions (receipt, processing, accounting for, and issue), to the gaining organizations via transfer, donation, and disposal transactions.

We interviewed generator and DRMO personnel. We also reviewed turn-in, transfer and donation documents, inventory adjustments, rejection documents, and management reports. Further, we reviewed the DRMO property receiving and issuing process. The dates of those documents varied from October 1996 through December 1997.

Limitation of Scope. We did not validate the financial data on the documents collected because verification of financial data was not necessary to meet evaluation objectives. We did not evaluate the DRMO reutilization and sales functions.

The adequacy of the management control program was not addressed in this report. The adequacy of the overall DRMS management control program will be addressed in the second report.

Corporate Level Goals. In response to the Government Performance and Results Act, the DoD has established 6 DoD-wide corporate level performances objectives and 14 goals for meeting these objectives. This report pertains to achievement of the following objective and goal.

Objective: Fundamentally reengineering the Department and achieve a 21st century infrastructure. **Goal:** Reduce cost while maintaining required military capabilities across all DoD mission areas. (DOD-6)

DoD Functional Area Reform Goal. Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following functional area objectives and goal.

Logistics Functional Area. Objective: Streamline logistics infrastructure. **Goal:** Implement most successful business practices (resulting in reduction of minimally required inventory levels). (LOG-3.1)

High Risk Area. The General Accounting Office has identified several high risk areas in the DoD. This report provides coverage of the Defense Inventory Management high risk area.

Use of Computer-Processed Data. We used data provided by DAISY to verify the reported status of 88 line items on the RESI I list. We also used the Federal Logistics Information System to verify special handling codes assigned to the 88 line items. The data were accurate for our purposes. We did not test the reliability of the systems used; however, it did not affect the evaluation results.

Evaluation Type, Dates, and Standards. This program evaluation was performed from January through April 1998 in accordance with standards issued and implemented by the Inspector General, DoD.

Contacts During the Evaluation. We visited or contacted individuals and organizations within the DoD. Further details are available on request.

Summary of Prior Coverage. No prior coverage has been performed relating to property management and disposal controls at DRMO Vandenberg within the last 5 years.

Appendix B. Organizational Responsibilities

The Federal Property and Administrative Services Act of 1949 (the Act) assigned responsibilities to the following organizations for the disposition of DoD excess and surplus property

General Services Administration. The Act assigned the responsibility for the supervision and direction over the disposition of excess and surplus property to the General Services Administration. The administrator of the General Services Administration delegated the responsibility for the sale and final disposition of surplus personal property that will not be transferred to other Federal agencies or donated to authorized donees to the Secretary of Defense.

Office of the Secretary of Defense. In addition to the responsibilities above, the Secretary of Defense has the responsibility under the Act for internal screening and redistribution of DoD property among the Military Departments and Defense agencies.

Defense Logistics Agency. The Secretary of Defense assigned DLA the responsibility for the administration of Defense material disposal. DLA is responsible for approving, coordinating, and establishing budgeting and funding and internal control measures; management review and analysis; policy; program guidance; resource management; and system concepts and requirements.

DRMS. The DRMS property disposal responsibilities include developing systems and programs for accounting, controlling, and disposing of excess and surplus personal property. DRMS is also responsible for monitoring the property accountability of DRMOs, approving adjustments and corrections to property accounts for assigned DRMOs, and exercising operational supervision of DRMOs.

DRMO. The DRMO property disposal responsibilities include providing assistance and disposal service to DoD Components and other authorized customers; maintaining property accountability and control of excess and surplus personal property; conducting periodic physical inventory of disposable property on hand; and preparing inventory adjustment documents, as required.

Appendix C. Definitions

The following definitions refer to terms used in this report as they specifically apply to the disposal of DoD excess and surplus personal property.

DAISY. An automated property-accounting management system designed to process property through the necessary disposal steps and account for excess and surplus personal property from receipt to final disposition.

Disposal. The process of reutilizing, transferring, donating, selling, destroying, or other ultimate disposition of personal property.

Excess property (at DRMOs). Any property not required for the needs and the discharge of the responsibilities of DoD and which is available for transfer, donation, or sale to non-DoD agencies or the public

Item management resolution list (RESI B). A management report that shows property that has been in the possession of a DRMO for more than 1 year.

Line item. A single line entry on a reporting form or sale document that indicates a quantity of property located at any activity having the same description, condition code, and unit cost.

Personal property. Property of any kind or any interest except real property and records of the Federal Government

RESI I list. The RESI I list contains information on property received by DRMO that requires demilitarization, and that has been on hand for at least 35 days without completion of required demilitarization actions.

Surplus personal property. Personal property located in the United States, American Samoa, Guam, Puerto Rico, Trust Territory of the Pacific Islands, and the Virgin Islands, which is not needed for the discharge of responsibilities of any Federal agency. Upon being declared surplus personal property, responsibility for the disposition of the property transfers from the DoD to the General Services Administration.

Appendix D. Report Distribution

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 Committee on Government Reform and Oversight
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House Committee on National Security
Honorable John McCain, U.S. Senate

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Part III - Management Comments

Defense Logistics Agency Comments



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FT BELVOIR, VIRGINIA 22060-6221

VERY
REF ID

21 JUL 1998

DDAJ

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING,
DEPARTMENT OF DEFENSE

SUBJECT: Property Management Controls at Defense Reutilization and Marketing Office,
Vandenberg, California. 7LH-3012.01

Enclosed are our comments to your request of 22 May 1998. Should you have any questions,
please notify Sharon Entsminger, 767-6267.

Encl

for 
JEFFREY GOLDSTEIN
Chief (Acting), Internal Review Office

cc:
DLSC-BO
DLSC-LC
DEMS-

Defense Logistics Agency Comments

Final Report

SUBJECT: Property Management Controls at Defense Reutilization and Marketing Office (DRMO), Vandenberg, California, 7LH-3012.01

FINDING: Property management and disposal controls at DRMO Vandenberg needed improvement.

RECOMMENDATIONS: DoD IG recommends that the Commander, Defense Reutilization and Marketing Service:

1. Complete investigations into the loss of the 88 line items of property requiring demilitarization that were listed on the Defense Reutilization and Marketing Office, Vandenberg, January 1998 item management resolution list, in accordance with Defense Reutilization and Marketing Service Instruction 4160.14.

2. Complete investigations of the 327 line items removed from the Defense Reutilization and Marketing Office, Vandenberg, accountable records in November 1996, in accordance with prevailing Defense Reutilization and Marketing Service regulations. A less intense investigation is required for property that does not require demilitarization, is nonsensitive, is not highly pilferable, and has a low dollar value.

3. Based on the results of the investigations, institute measures, where appropriate, to preclude recurrence of the loss of property at this magnitude.

4. Within 45 days of the date of this report, provide investigation results and the status of corrective actions taken and planned to the Inspector General, DoD.

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DLA COMMENTS:

Concur. A Defense Reutilization and Marketing Service (DRMS) Region West team was sent to DRMO Vandenberg on April 14-16, 1998, to collect data and perform the required investigation. The evaluation confirmed that DRMO Vandenberg did have inventory control problems during the timeframe specified in the DoD IG report. The cause of the losses was determined to be the result of multiple factors, including an inexperienced DRMO Chief and Zone Manager; inadequate resources to handle the increase in workload when the DRMO went to full service; a surge in receipts, particularly in DEMIL-required property; untrained temporary employees; and numerous transient TDY personnel. It was concluded that these factors contributed to the state of the inventory and the proximate cause of the losses reported during November 1996. The DRMS investigation also revealed that all reasonable and prudent actions were taken to identify and research the losses and, except for five line items, the level of approval was appropriate in accordance with DRMS regulations. No policy or procedural deficiencies were found.

DRMS Region West confirmed that the 88 missing line items of excess property did not have investigations completed for more than a year. All 88 DoD Forms 200 and Forms 39-3 were researched, and no evidence of fraud, theft, or willful misconduct were found.

Defense Logistics Agency Comments

SUBJECT: Property Management Controls at Defense Reutilization and Marketing Office,
Vandenberg, California, 7LH-3012.01

The 327 items that were dropped from record by the Zone Manager on Forms 39-3 were done so without deliberate fraud, theft, or willful misconduct. However, five of those items required DEMIL and were approved by the Zone Manager in error. Further investigation of those five items will be completed by July 24, 1998, and included with the other 88 DD Forms 200. DRMS Region West will report findings to DRMS HQ for review and forwarding to Defense Logistics Support Command (DLSC) by July 24, 1998.

Corrective actions taken include the DRMS Region West assessment of DRMO Vandenberg conducted in April 1998. Random inventories were conducted with a 100 percent accuracy rate. The new DRMO Chief is experienced and knows the importance of conducting timely investigations whenever property is lost. Items on record for over one year will be inventoried every 14 days, and results will be sent to DRMS. Inventory control procedures will be reviewed by DRMS personnel during future validation visits to DRMOs.

DISPOSITION: Action is ongoing. ECD July 24, 1998

ACTION OFFICER: Tom Ruckdaschel, DLSC-LC, 767-1538

APPROVAL: W. B. Bergmann, /S.R. Morgan, RADM, SC, USNR, Acting Executive
Director, Logistics Management

COORDINATION: Sharon Entsminger, DDAI, 767-6267

DLA APPROVAL:



JUL 20 1998

Evaluation Team Members

**This report was prepared by the Readiness and Logistics Support Directorate,
Office of the Assistant Inspector General for Auditing, DoD.**

**Shelton R. Young
Debra B. D. Murphy
Timothy E. Moore
Andrew Forte
David L. Pinson
Robert Paluck
Cheryl Snyder**

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Arlington, VA 22202-2884

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